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SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

#### FUNDING

The Fiscal Year 2002 Agricultural Appropriations Bill has been approved and we have received our first quarter distribution of GRH funds. The nationwide allocation of funds for the GRH loan program will be \$3.137 billion for Fiscal Year 2002. Lenders are encouraged to resume submitting their requests for Reservation of Funds as in the past. Rural Development will issue the Confirmation of Funds to lenders usually on the same day the reservation request is received. Thank you for your patience and understanding during the past few months with our funding situation.

#### **New!** ALTERNATIVE DOCUMENTATION **New!**

Attached is RD AN 3683, which allows the acceptance of alternative types of employment income documentation currently being accepted by the secondary market and other Federal agencies. Effective immediately, lenders will no longer be required to submit three recent pay stubs in addition to a current VOE. A single recent paystub and a current VOE or alternative documentation as described on pages 3 and 4 of RD AN 3683 will be accepted by Rural Development for income verification purposes. Underwriters may at their discretion require additional income verification information if there are recent job changes or other types of layered risk present. Underwriters will be responsible for obtaining sufficient documentation to accurately calculate compliance income as per RD Inst. 1980.347. Income that is used for qualifying purposes must meet the same stable and dependable criteria used in the past, regardless of which method of income verification (alternative doc. or standard doc.) is used.

#### WAIVER REQUEST FORM

During the past year, lenders have received more latitude in underwriting GRH loans with expanded ratios, high payment shock, and recent credit issues. Lenders who approve GRH loans

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with any of these characteristics must document the compensating factors which support their decision within the scope of the GRH program regulations (AN 3582 and AN 3583). The attached form was developed at the request of several lenders so that their underwriters had a uniform method of documenting waiver requests and compensating factors. The use of this form is not mandatory. Lenders may document their requests for waivers using the Waiver Request form, in a cover letter, on Form 1008, or other underwriting worksheet.

Also attached is information from a new section in our Originator's Manual entitled "Rural Development GRH Web Resources". This section will contain the web addresses to various sites that will help educate lenders on GRH program and other home financing issues. The National Office web site indicated in the first paragraph will give you access to Rural Development instructions, forms, and Administrative Notices (ANs). If you have any non-commercial web sites that you would recommend for this section of our manual, please let us know.

#### LOAN CLOSING PACKAGES

Several lenders have recently requested that they be allowed to send only the first and last pages of the real estate mortgage (instead of all sixteen pages) to Rural Development so that a Loan Note Guarantee can be issued. This change would result in reduced costs and save time in the preparation of loan closing packages. Lenders who use Form 3050, Revised 1/01, Wisconsin – Single Family – Fannie Mae / Freddie Mac UNIFORM INSTRUMENT, may submit less than the full mortgage document provided that the pages containing the following information are included in the loan closing package:

- Borrower name, lender name, date of mortgage, amount of mortgage, maturity date of mortgage, legal description with property address, and the borrower's signatures.

Depending on which vendor supplies your forms, this information may be found on two to four pages due to differences in the layout of the form.

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at Ext. 114 or Sue Kohnen at Ext. 115.

/s/

PETER G. KOHNEN  
Rural Housing Program Director

PGK: pjb

Enclosures